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**Sunora Foods Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**For the Three-Month Periods ended March 31, 2017 and 2016**  
**(unaudited)**

**Sunora Foods Inc.**  
**Condensed Interim Consolidated Balance Sheet**  
*(amounts in Canadian dollars)*  
*(unaudited)*

<b>Assets</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b> <i>(audited)</i>
Current assets		
Cash and cash equivalents	\$ 3,133,920	\$ 3,353,921
Accounts receivable <i>(note 10 (c))</i>	1,254,247	949,816
Accrued interest	1,537	2,908
Inventory <i>(note 5)</i>	533,623	438,064
Prepaid expenses	15,760	21,874
Goods and services tax recoverable	10,545	11,023
Income tax recoverable	118,130	110,457
	<u>5,067,762</u>	<u>4,888,063</u>
Deferred tax asset <i>(note 6)</i>	159,545	159,545
	<u>\$ 5,227,307</u>	<u>\$ 5,047,608</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,084,857	\$ 954,092
Income tax payable	-	-
Customer deposits	40,020	71,510
	<u>1,124,877</u>	<u>1,025,602</u>
<b>Shareholders' Equity</b>		
Share capital <i>(note 7)</i>	1,400,816	1,400,816
Contributed surplus <i>(note 9)</i>	750,599	736,735
Retained earnings	1,951,015	1,884,455
	<u>4,102,430</u>	<u>4,022,006</u>
	<u>\$ 5,227,307</u>	<u>\$ 5,047,608</u>

Commitment *(note 14)*  
Contingency *(note 15)*

See accompanying notes to the condensed interim consolidated financial statements.

**Sunora Foods Inc.****Condensed Interim Consolidated Statement of Income and Comprehensive Income***(amounts in Canadian dollars)**(unaudited)*

	<b>Three-month Period Ended March 31, 2017</b>	<b>Three-month Period Ended March 31, 2016</b>
Sales	\$ 3,480,230	\$ 2,687,379
Cost of sales	<u>3,247,496</u>	<u>2,434,957</u>
Gross margin	<u>232,734</u>	<u>252,422</u>
Other		
General and administrative	128,722	122,566
Marketing and promotion	11,886	11,576
Bank charges and interest	2,966	2,330
Stock-based compensation	13,864	-
Foreign exchange	(10,833)	82,655
Interest income	<u>(5,049)</u>	<u>-</u>
	<u>141,556</u>	<u>219,127</u>
Income before income taxes	91,178	33,295
Income tax expense		
Current	<u>24,618</u>	<u>8,324</u>
Net income and comprehensive income	\$ <u><u>66,560</u></u>	\$ <u><u>24,971</u></u>
Earnings per share		
Basic and diluted	\$ <u><u>0.002</u></u>	\$ <u><u>0.001</u></u>

See accompanying notes to the condensed interim consolidated financial statements.

**Sunora Foods Inc.**  
**Condensed Interim Consolidated Financial Statements**  
**Condensed Consolidated Statements of Changes in Equity**

(amounts in Canadian dollars)

	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Retained Earnings	Total
Balance at December 31, 2014	42,254,332	\$ 1,400,816	\$ 480,021	\$ 86,157	\$ 1,099,479	\$ 3,066,473
Stock-based compensation				102,580		102,580
Warrant expiry (note 7 (e))			(480,021)	480,021		-
Net income and comprehensive income					502,182	502,182
Balance at December 31, 2015	42,254,332	1,400,816	-	668,758	1,601,661	3,671,235
Stock-based compensation				67,977		67,977
Net income and comprehensive income					282,794	282,794
Balance at December 31, 2016	42,254,332	1,400,816	-	736,735	1,884,455	4,022,006
Stock-based compensation (note 6)				13,864		13,864
Net income for the period					66,560	66,560
Balance at March 31, 2017	42,254,332	1,400,816	-	750,599	1,951,015	\$ 4,102,430

See accompanying notes to the condensed interim consolidated financial statements.

**Sunora Foods Inc.**  
**Condensed Interim Consolidated Statement of Cash Flows**  
*(amounts in Canadian dollars)*  
(unaudited)

	<b>Three-month Period Ended March 31, 2017</b>	<b>Three-month Period Ended March 31, 2016</b>
Net cash inflow (outflow) related to:		
Operating activities		
Net Income	\$ 66,560	\$ 24,971
Items not affecting cash		
Stock-based compensation	13,864	-
Change in unrealized foreign exchange on US dollar cash	-	-
	<u>80,424</u>	<u>24,971</u>
Changes in non-cash working capital		
Accounts receivable	(304,431)	(69,159)
Accrued interest	1,371	-
Income tax recoverable (payable)	(7,673)	(17,698)
Inventory	(95,559)	(109,725)
Prepaid expenses	6,114	14,407
Goods and services tax recoverable	478	-
Accounts payable and accrued liabilities	130,765	467,782
Customer deposits	<u>(31,490)</u>	<u>50,668</u>
	<u>(300,425)</u>	<u>336,275</u>
Decrease in cash flow	(220,001)	361,246
Cash and cash equivalents, beginning of period	3,353,921	2,620,566
Effect of exchange fluctuations on US dollar cash	-	-
Cash and cash equivalents, end of period	\$ <u>3,133,920</u>	\$ <u>2,981,812</u>
Cash and cash equivalents is comprised of:		
Cash held in Canadian dollars	2,770,572	2,394,320
Cash held in US dollars	<u>363,348</u>	<u>587,492</u>
	\$ <u>3,133,920</u>	\$ <u>2,981,812</u>

*See accompanying notes to the condensed interim consolidated financial statements.*

## **Sunora Foods Inc.**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**For the Three-Month Periods Ended March 31, 2017 and 2016**

*(amounts in Canadian dollars)*

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#### 1. General business description

Sunora Foods Inc. ("Sunora" or the "Corporation"), is a trader of canola, olive and other food oils across Canada, the United States and internationally. Sunora is a publicly traded corporation, incorporated in Canada. The head office is located at 4616 Valiant Drive N.W., Calgary, Alberta, Canada, T3A 0X9.

#### 2. Basis of presentation

##### (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 29, 2017.

##### (b) Basis of measurement

These consolidated financial statements have been prepared on an historical cost basis, except for certain financial assets and financial liabilities, which are measured at fair value.

##### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation and its wholly-owned subsidiary.

##### (d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### 3. Inventory

The cost of inventory recognized as an expense during the period and included in cost of sales was \$3,247,496 (three-month period ended March 31, 2016 - \$2,434,9572). The inventory on hand consists of finished goods including product available for sale in bulk as well as packaged product available for sale.

**Sunora Foods Inc.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three-Month Periods Ended March 31, 2017 and 2016***(amounts in Canadian dollars)*

## 4. Share capital and warrants

- (a) Authorized  
 Unlimited number of common shares  
 Unlimited number of preferred shares (issuable in series)

## (b) Issued

Common shares	Number	Stated Value
Balance, December 31, 2016 and March 31, 2017	<u>42,254,332</u>	<u>\$ 1,400,816</u>

## (c) Earnings per share (loss) per share

The weighted average number of common shares used in the calculation of earnings per share is as follows:

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Basic	42,254,332	42,254,332
Effect of dilutive instruments:		
Common share options	-	183,503
Diluted	<u>42,254,332</u>	<u>42,437,835</u>

For the quarter ended March 31, 2017, the potential effect of the exercise of the 1,485,000 options is anti-dilutive, and were therefore not considered in the calculation of diluted earnings per share.

## (d) Warrants

	Number	Amount
Warrants issued as part of brokered private placement	4,587,667	\$ 321,137
Agent's warrants	344,075	30,967
Warrants issued as part of non-brokered private placement	1,666,665	116,667
Finder's warrants	<u>124,999</u>	<u>11,250</u>
Balance at December 31, 2013 and 2014	6,723,406	\$ 480,021
Expiry of warrants during 2015	<u>(6,723,406)</u>	<u>(480,021)</u>
Balance at December 31, 2016 and March 31, 2017	<u>-</u>	<u>-</u>

**Sunora Foods Inc.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three-Month Periods Ended March 31, 2017 and 2016***(amounts in Canadian dollars)***5. Stock-based compensation**

The Corporation has a stock option plan for officers, directors, employees and consultants and has authorized a pool of options to acquire common shares, not to exceed 10% of

issued and outstanding common shares. Under the plan, the Board of Directors set the exercise price and expiry date for each option grant.

The following is a summary of the Corporation's outstanding stock options for the three-month period ended March 31, 2017 and the year ended December 31, 2016:

	<b>Number of options</b>	<b>Weighted Average Exercise Price</b>	<b>Expiry Date</b>
Outstanding at December 31, 2014	540,000	\$0.10	August 25, 2018
Issued	1,485,000	\$0.15	March 23, 2020
Forfeited	<u>(540,000)</u>	<u>\$0.10</u>	August 25, 2018
Outstanding at December 31, 2015	1,485,000	\$0.15	March 23, 2020
Issued	<u>690,000</u>	<u>\$0.15</u>	August 1, 2021
Outstanding at December 31, 2016 and March 31, 2017	<u>2,175,000</u>	<u>\$0.15</u>	
Exercisable at March 31, 2017	<u>1,485,000</u>	<u>\$0.15</u>	

**6. Income taxes**

The components of the Corporation's deferred income tax assets (liabilities) are as follows:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Deferred tax assets:		
Non-capital loss carry forwards	\$ 130,469	\$ 130,469
Share issuance costs	16,084	16,084
Cumulative eligible capital	18,587	18,587
Undepreciated capital cost	89	89
	<u>\$ 165,229</u>	<u>\$ 165,229</u>



## Sunora Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three-Month Periods Ended March 31, 2017 and 2016

(amounts in Canadian dollars)

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#### 7. Contributed surplus

The following summarizes changes in the Corporation's contributed surplus:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Balance, beginning of period	\$ 736,735	\$ 668,758
Stock-based compensation	13,864	67,977
Balance, end of period	<u>\$ 750,599</u>	<u>\$ 736,735</u>

#### 8. Financial instruments

##### (a) Risk management

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. The Corporation employs risk management strategies and policies to ensure that any exposures to risk are in compliance with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, Sunora's management has the responsibility to administer and monitor these risks.

##### (b) Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term maturity of those instruments.

##### (c) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Corporation performs ongoing credit evaluations of its customers and establishes an allowance for doubtful accounts based on credit risk applicable to certain accounts, historical trends and other relevant information. Management believes the risk is often mitigated by the size and reputation of the companies to which they extend credit.

## Sunora Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three-Month Periods Ended March 31, 2017 and 2016

(amounts in Canadian dollars)

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As at March 31, 2017, the Corporation's maximum exposure to credit risk for accounts receivable is:

	<b>March 31, 2017</b>	<b>December 31, 2016</b>
Current	\$ 1,153,711	\$ 949,816
30 - 90 days	100,535	-
Accounts receivable	<u>\$ 1,254,246</u>	<u>\$ 949,816</u>

During the three-month period ended March 31, 2017, sales to two customers represented 43% of the Corporation's total sales (three-month period ended March 31, 2016 - one customer - 21%).

The accounts receivable balance is widely diversified with the exception of two customers (December 31, 2016 – four customers) that represent 22% and 21% of the accounts receivable balance at March 31, 2017 (December 31, 2016 – 27%, 20%, 13% and 11%).

The Corporation manages the credit exposure of \$3,133,920 related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short-term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

(d) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including global economic conditions.

The financial liabilities on the consolidated balance sheet consist of accounts payable and accrued liabilities and customer deposits. The Corporation manages this risk through detailed monitoring of budgeted and projected operating results and cash requirements.

At March 31, 2017, the Corporation had cash and cash equivalents of \$3,133,920 to settle current liabilities of \$1,124,877. The majority of the Corporation's financial liabilities have contractual maturities of less than 30 days and all are subject to normal trade terms.

(e) Market risk

Market risk is the risk that changes in market prices, foreign exchange rates and interest rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Primary market risks are as follows:

## Sunora Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three-Month Periods Ended March 31, 2017 and 2016

(amounts in Canadian dollars)

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(i) Foreign currency risk

The Corporation is exposed to currency price risk on sales denominated in U.S. dollars ("USD") to the extent that the receipt of payment of the U.S. and Singapore denominated accounts receivable are subject to fluctuations in the related foreign exchange rate.

The carrying amounts of the Corporation's monetary assets and liabilities denominated in foreign currency but stated in Canadian currency, at March 31, 2017 and December 31, 2016 are as follows:

	Foreign Currency	March 31, 2017	December 31, 2016
Cash	USD	363,348	562,207
Accounts receivable	USD	1,072,666	398,058
Accounts payable	USD	(738,666)	(401,527)

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Corporation is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

(f) Capital management

The Company's target Working Capital Ratio (Current Assets divided by Current Liabilities, which is an indicator of its ability to finance its on-going operations) is 2:1. The working capital ratio of March 31, 2017 was 4.5:1 (December 31, 2016 4.9:1). The Company's business has been managed with a strong working capital position which has enabled the Company to operate without debt. Additionally, the current nature of Sunora's operations has enabled it to expand without making capital investments.

The Corporation optimizes its capital structure with a view to ensure a strong financial position to support its acquisition strategies. Sunora considers its capital structure to include shareholders' equity and the Corporation strives to maximize the value associated to share capital.

Sunora's share capital will be used as a basis to raise additional capital to pursue acquisitions. The Corporation's ability to raise additional equity financing is impacted by external factors, including global economic conditions. The Corporation is not subject to externally imposed capital requirements and the capital management policy has not changed during the three-month period ended March 31, 2017 or the year ended December 31, 2016.

## Sunora Foods Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the Three-Month Periods Ended March 31, 2017 and 2016

(amounts in Canadian dollars)

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#### 9. Segmented information

The Corporation determines the geographic location of revenues based on the location of its customers. All of the Corporation's assets are located in Canada except for inventory of \$433,868 (at March 31 2016 \$458,865).

The Corporation's revenues were earned as follows:

	<b>3 months ended March 31, 2017</b>	<b>3 months ended March 31, 2016</b>
USA	\$ 2,701,689	\$ 2,167,415
Canada	252,384	235,713
Other	526,157	284,251
	<u>\$ 3,480,230</u>	<u>\$ 2,687,379</u>

#### 10. Employee and executive compensation

Total employee wages and bonuses recognized in general and administrative expenses were \$79,949 (March 31, 2016 - \$62,041).

The Corporation considers its key management personnel to be its Chief Executive Officer and non-executive directors. The compensation paid to the key management personnel, included in wages and bonuses, comprised \$25,516 (March 31, 2016 - \$10,659) and stock-based as reported in each period. In addition, a profit share bonus for all the staff of \$7,928, being 8% of earnings before taxes, has been accrued in this quarter.

#### 11. Commitments

##### (a) Rent commitment

The Corporation is committed under a lease on its office premises expiring August 31, 2017 for future minimum rental payments, excluding estimated operating costs of \$13,841.

##### (b) Investor Relations commitment

The Corporation is committed to payments of \$1,250 twice monthly to an investor relations company.

**Sunora Foods Inc.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the Three-Month Periods Ended March 31, 2017 and 2016**

*(amounts in Canadian dollars)*

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12. Contingency

On December 31, 2015, a statement of claim was filed against the Corporation by one of its vendors. The claim alleges that the Corporation wilfully did not accept deliveries of soybean oil pursuant to a contractual arrangement. The plaintiff is claiming USD \$506,798 in damage relating to losses suffered on the Corporation's alleged refusal to accept deliveries of the soybean oil. The matter is still at a preliminary stage and the outcome is uncertain. Based on management's assessment, no provision for a possible claim has been accrued in the consolidated financial statements for the quarter ended March 31, 2017 and the year ended December 31, 2016.